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ABSTRACT

The business officer can contribute most to the managing of educational resources and can best provide input to the academic world by performing four tasks. The first task is assessing the general financial setting of the world and the country in which the institution exists. Secondly, in assessing and describing the economics of the institution itself, he must point out the practical implications of concepts such as efficiency and productivity, and fixed variable costs for the operations of the individual institution. A third task is in facilitating decision making regarding pricing and resource allocation. Finally, the business officer can provide explanations of decisions to facilitate their understanding and acceptance. (JMF)

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ADMINISTRATION

PROFESSIONAL FILE

The Management Challenge: Now and Tomorrow

MANAGING EDUCATIONAL PROGRAMS

THE ROLE OF THE BUSINESS OFFICER IN MANAGING EDUCATIONAL RESOURCES

By WILLIAM G. BOWEN
Provost and President-elect
Princeton University

Presented herewith is the text of the talk delivered by Dr. Bowen on November 22 during NACUBO's 1971 national meeting at The Waldorf-Astoria in New York City. Following it are excerpts from the remarks of his fellow panelists, Hans H. Jenny, of the College of Wooster; Clarence Scheps, of Tulane University; and Orie E. Myers, Jr., of Emory University.

The question to which we have been asked to address ourselves this morning is: "How can the business officer best provide input to the academic world?" For reasons which I shall explain later I would like to propose a modest rephrasing of this question as follows: "How can the business manager contribute most effectively to the managing of educational resources under present (and prospective) conditions?"

In trying to answer this question more or less concretely, I find it convenient to think in terms of four different—but related—tasks. The first two are quite general and can be described briefly; the last two will require somewhat more elaboration.

Assessing the General Financial Setting

Whatever may have been the case in times gone by, no college or university today can view itself as an island unaffected by the prevailing economic winds. The financial prospects facing any of our institutions are affected to some degree by the outlook for the economy in general as well as by quite specific actions of the Congress. Revisions of the tax laws and various parts of the new wage-price apparatus illustrate the important effects on colleges and universities of governmental measures designed for much broader purposes.

One of the functions of a business officer in an academic setting ought to be to provide some intelligence to his colleagues concerning developments of this kind. More specifically, I think that the business officer ought to assume a special responsibility for alerting his president and other appropriate officers to the likely effects on the university's financial condition of the general economic outlook as well as likely legislative or administrative actions. Right at the moment, for example, it appears to me as if earnings from endowments over the next year or two are likely to be disappointing—in part because of underlying economic factors and in part because of elements of Phase 2 of President Nixon's new economic program. Also, decisions regarding salary policies, rents (if there is college or university housing to be considered), student charges, and so on have to be viewed to some extent within the context of the national guidelines still being developed. I hasten to add that only the bravest of you will speak with certainty about any of these matters. Indeed, contemplating the questions to which I have just alluded may make many of us look more favorably on the creation of Astrology Departments! Still, uncertainty is no excuse for saying nothing, and I think that business officers can be helpful to their colleagues by preventing them from foolish extrapolations if nothing else.

Assessing and Describing The Economics of the University

The second task which I think most business officers ought to assume also involves the application of some general notions concerning the nature of our economy. Here, however, the task I have in mind is describing the economics of the educational institution itself in a lucid and helpful way. Increasingly, alumni, trustees, faculty, and students will be debating the financial policies of colleges and universities, and in the course of these debates assumptions will be made—explicitly or implicitly—about the basic economic characteristics of these institutions. Too often, however, these notions will be naive ones, bereft of any sense of fundamental economic concepts or, at the other end of the spectrum, representing a simplistic attempt to describe the college or university as if it were a producer of piston rings.

The business officer can perform an important function by helping all of the constituencies of the college or university to think intelligently about such concepts as "productivity" in an educational setting. In planning for the future, it is important to be realistic in recognizing the economic implications of being a handicraft industry—which is largely what we are. The opportunities for technological change, capital accumulation, and mass production are all less for educational institutions than they are for the economy at large, and this means that one ought to expect the *relative* costs of higher education to rise over time. And, it is important for the general public, in particular, to understand that in this respect education is a service industry, whose economic problems do not stem simply (or even mainly) from economy-wide increases in prices. Our costs would go up even if the general price level were steady, and this needs to be understood.

At the same time, the fact that it is harder to increase productivity in colleges or universities than in many industrial concerns is no excuse for failing to make any effort to become more efficient in the relevant sense of that important word. (Let me stress that by becoming "more efficient," I do not mean simply increasing class size. "Efficiency" and "productivity" in the relevant economic sense mean relating outputs to inputs, and increasing class size can mean sacrificing important qualitative aspects of education which in turn means less output, measured properly. This is not to say that class size should not rise—in many situations it probably should—but it is to argue that we ought to get our concepts straight and not define efficiency and productivity so as to make larger class size and greater efficiency equal by definition. That misuse of concepts serves only to beg the important and difficult question of the true relationship between class size and educational quality.) Questions of teaching methods and class size aside, there are things that can be done to increase productivity, and faculty members need to be encouraged to think about more efficient scheduling procedures for classes, sharing of scarce library and computer resources with other institutions, and so forth.

In describing the economic nature of the educational institution, the business officer also needs to help his associates understand such concepts as fixed costs versus variable costs. This simple dichotomy is important in analyzing the likely effects of changes in enrollment on teaching budgets and indirect costs. It is also important, as I have just had occasion to learn rather painfully, in studying the economics of food services. Furthermore, the concept of variable costs, and the need to relate incremental costs to incremental revenues, are also critically important in evaluating proposals for summer sessions, to cite but one more example.

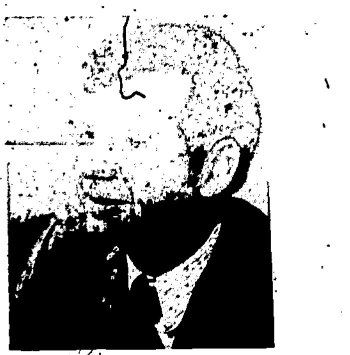
It would be easy to list other basic economic concepts which have major implications for the managing of educational resources (for example, the need to impute capital costs when funds for a new dormitory are given by a donor). However, you will think of other examples as quickly as I can, and the general point I want to make is simply that the business officer should not hesitate to point out the practical implications of these concepts for the operations of his own institution.

Facilitating Decision Making and Control

Understanding the basic economic characteristics of a college or university is, unhappily, no substitute for making a great many hard decisions. The decisions to which I refer include both pricing decisions (what to do about tuition and room and board) and resource allocation decisions (how much should be spent for faculty positions, for the library, for supporting services, for student aid, and so on). Moreover, almost all of these decisions involve choices between the present and the future (how large a deficit can we afford to run now, what will be the long-run effects of a reduction in the library budget, what portion of endowment income can be spent in the current fiscal year without endangering the corpus of the fund, and so on).

All of these are "hard" decisions in two very different senses. First, they are hard because they involve genuinely difficult issues of choice which depend, among other things, on imperfect assessments of the effects of different courses of action on the educational program of the institution. Even if everyone were in agreement as to the relative importance of, say, graduate work versus undergraduate work, it might still be far from obvious how particular decisions concerning the Computer Center or the Library would affect either, especially in the long run. Second, these are hard decisions in the sense that they involve the well being of various groups and, indeed, of particular individuals. Under present budget constraints, there is pain aplenty to be borne (terminating appointments, allowing real standards of living to be reduced, increasing workloads), and whenever this is the case the decisions to be made are difficult ones for this reason alone. An enduring strength of many colleges and universities is that they are peculiarly human institutions, and thus the *way* in which these hard decisions are made and accepted becomes very important to the welfare of the institution as well as to the individuals most intimately concerned.

In the balance of my remarks this morning, I will try to spell out some specific things that I believe busi-



William G. Bowen was the young Provost of Princeton University and [illegible] the [illegible] of academ[illegible] administ[illegible]on, [illegible] Novem[illegible] 22. A [illegible] succeed R[illegible]ert F. Go[illegible], and [illegible] N[illegible] representatives who heard him [illegible] thoroughly appreciate. Dr. Bowen, a native of Cincinnati, won his A.B. degree from Denison and his Ph.D. from Princeton. A nationally known economist and teacher, he has been at Princeton since 1958 and Provost since 1967 when, at the age of 33, he was named to the position created only the year before by the Princeton Trustees. His principal books include The Wage-Price Issue: A Theoretical Analysis, Wage Behavior in the Postwar Period: An Empirical Analysis, Economic Aspects of Education, *and (with Prof. T. A. Finegan, of Vanderbilt) a major study,* The Economics of Labor Force Participation.

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ness officers can do to make the process of reaching hard decisions go as well as possible.

1. *The budgetary process should be structured from a timing standpoint so as to permit all competing claims on university resources to be evaluated more or less simultaneously.* Until recently, many of us were in the habit of making important budgetary decisions at different times during the year. For example, commitments concerning new faculty positions were often made well ahead of decisions regarding supporting staff or library appropriations. While it is easy to see the practical considerations that led to spreading out these decisions over a fairly long period, proceeding in this way simply is not conducive to making clear choices. If the decision making process is to be as rational as possible, it is necessary that expenditures on, say, athletics, be compared with expenditures on faculty positions and on supporting services *before any commitments are made.* In most instances, this will require an acceleration of the budget making process, with trial budgets prepared as early as late October or mid-November so that decisions regarding faculty positions can be made early enough to permit effective recruiting. Adjusting the timing of the budget process in this way will mean more work and will impose added strains on business officers and their staffs; this procedural adjustment, however, is a necessary first step to improved decision making.

Simultaneous consideration of competing requests to spend money also requires knowledge, fairly early on, of the total resources likely to be available in the next fiscal year. Hence, business officers need to project income from all sources soon enough to present a comprehensive picture of the financial condition of the institution before any decisions, even tentative ones, are made regarding expenditures. And, on the basis of some painful experience of my own, I would urge that this "comprehensive" picture be truly comprehensive—that it include all sources of income and all forms of expenditures, including sponsored research and charges to restricted accounts. It is tempting, in the interests of simplicity, to work only with "general funds" budgets. This kind of partial approach can lead, however, to serious errors of estimation and to wrong judgments concerning the needs of various departments and activities. The basic reason is that most colleges and universities are sufficiently integrated organizations that they simply cannot be split up into restricted and general funds portions without confusing rather than clarifying basic relationships. To repeat, I speak from painful experience.

2. *Financial data need to be organized according to the logic of decision making as well as according to the logic of control.* Different kinds of costs need to be grouped together under the program objective which they serve so that the college or university will know the full implications of pursuing, say, graduate work in Psychology. Thus, space costs, costs of supporting services, special library costs, and the costs of graduate student support need to be grouped with faculty salaries to provide a unified picture of expenditures for, say, graduate work in Psychology.

This is, if you will, a plea for program budgeting, but it is a plea for program budgeting with a small "p." I am not advocating grandiose systems which are costly to install and of marginal use, whatever their aesthetic appeal. Surely it would be wrong to apply cost benefit analysis to everything but cost benefit analysis itself. What I am advocating is relatively simple rearrangements of budget entries to permit intelligent comparisons of alternative programs.

Let me give one example of what I am proposing. At my own university the ability of the Dean of Graduate School to evaluate the resource costs of graduate student support and to consider alternative modes of support has long suffered from the fragmented and decentralized nature of the entire process of providing funds to students. Some fellowships have been awarded at the departmental level from the restricted accounts, others have been obtained by individual students on the basis of national competitions, and still others have been awarded by the Dean of Graduate School himself from endowed accounts and from some appropriations of general funds. In addition, significant numbers of graduate students have received aid in the form of assistantships in research and in instruction, with the former determined largely by the leaders of sponsored research projects and the latter determined by department chairmen in consultation with the Dean of the Faculty. Finally, many graduate students have been receiving support in the form of housing and dining subsidies, with the amounts here determined by the real estate department and the department of dormitories and food services.

As long as funds for graduate student support were relatively plentiful, this varigated structure, with budget entries related to graduate student support appearing under many headings in the chart of accounts, may have been satisfactory. Now, however, financial stringency requires a more comprehensive and coordinated set of data. Having worked for the last two years with overall estimates of support from every source, we believe that we are doing a better job of using the limited funds at our disposal—a better job both in terms of our ability to attract good students and in terms of our ability to allocate fairly what we have done.

One more word needs to be said concerning the treatment of graduate student housing, because it illustrates so well the general point I am trying to make. For many years Princeton has provided housing for some—but by no means all—married graduate students as well as single students. And, while this housing has carried rents well below market levels, there has often been controversy over proposed increases in rents. Needless to say, no one likes to see his or her rent increased, especially when the family is already hard pressed financially, as is the case of many graduate student couples. Under these circumstances, it was exceedingly difficult to have reasoned discussions of rental policies, and of attendant effects on equity among graduate students in and out of university housing, *so long as consideration of rents was separated from consideration of other forms of graduate student support*. As a result, there had been a steady increase for some time in the subsidies going to those graduate students fortunate enough to live in university housing.

With the advent of a budget for graduate student support constructed along more programmatic lines, however, it was possible to change the framework within which rental policies were set. We made it clear that subsidies on graduate student housing were viewed as a form of support just like fellowships, that there would have to be a set amount of funds available for graduate student support in all forms, and that therefore every additional dollar of subsidy for housing would mean one less dollar of fellowship money available. Once the situation was defined in these terms, it became easier to discuss the advantages and disadvantages of alternative modes of support. Housing subsidies came to be seen not as an end of policy, but as one among several methods of achieving an objective: namely, to use the limited funds available as effectively and as fairly as possible for the support of *all* students.

3. *It is important to include nonfinancial data along with financial data under various program headings.* All too often, decision making in colleges and universities has been hindered by the lack of integration of data dealing with flows and data dealing with measures of educational activity (number of courses taught, number of students enrolled in different departments, and so on). In many institutions, the Controller's Office and the Registrar's Office have not always worked as closely as would have been desirable from the standpoint of managing educational programs. Fortunately, modern methods of data processing (and here again I do not mean to suggest overly elaborate approaches) make it possible to show on a single form, both the money costs of a program and the numbers of students served by it. This simple step in turn makes it much easier to compare various undertakings and to evaluate requests for additional funds.

4. *It is necessary to present data several years into the future.* We are past the point at which it is possible to make obeisance to forward planning and then to look seriously at the next year alone. Commitments made in the present almost always have financial implications into the future, and these implications need to be understood at the time the initial commitment is made. Also, the savings associated with a particular budgetary decision may seem very small if looked at only in the context of one year, but may look much larger when followed through the budget system for several years.

Increasingly, trustees, regents, alumni, legislators, and others from whom we seek support will want to know how well we are planning for the future. Business officers and others responsible for the overall planning of the university will have to be able to provide projections of costs and incomes under various assumptions. And, I want to emphasize that simple extrapolations will not suffice. What is needed is a coordinated set of multi-year plans for academic and non-academic departments which take account both of resources costs and associated levels of educational activity.

Again, perhaps an illustration will be useful. Providing adequate student aid has become one of the most difficult problems which all of us face. Rising tuition charges make it more and more difficult to achieve the diversity and equality of opportunity within the student body which are so important to the society as well as to each of our institutions. Faced with pressures to provide more scholarship funds, it is tempting to look at the financial aid budget on a one year basis. But, this is an exceedingly dangerous procedure if the institution feels a commitment to continue to provide aid to students initially admitted with support, as most of us do. In short, financial aid at the undergraduate level is, almost by definition, a four year commitment and it has to be viewed as such. In considering alternative student aid budgets at Princeton last year, we constructed detailed tables tracing through the effects four years into the future of each of the approaches under investigation. This led us to be more realistic and also, I think, more honest with ourselves. As one result of this exercise, we separated the student aid appropriation between funds allocated to entering students and funds allocated to continuing students. While this distinction did not matter greatly from the standpoint of accounting for scholarship funds expended, it did matter greatly from the standpoint of future commitments. If the Bureau of Student Aid, on its own initiation, can shift $1,000 of scholarship aid from continuing students to entering students, it can, in effect, require a new $4,000 commitment in the future.

Presenting data several years ahead can also be very important from the standpoint of individual departments, as well as from the standpoint of the central university. In the absence of forward planning of some kind, an academic department may recommend Smith for a tenure position this year without realizing that what it is really doing is foreclosing a tenure appointment for Jones two years from now. Of course, all forward plans must permit modifications and must involve some degree of flexibility. However, if they at least make departments aware of the *probable* implications of a decision this year for a decision to be taken in the future, they will have served an important purpose.

5. *Planning, budgeting, and control functions must be closely integrated.* Now, let me add a word of caution. In recommending changes in methods of organizing, presenting, and analyzing data, I want also to recommend as strongly as I can *against* abandoning traditional methods of record keeping until the new system is fully established—and even then, it may well turn out that the older systems continue to be best for purposes of control. To speak again from painful personal experience, let me stress the importance of maintaining the closest possible relationship between whatever new forms of presentation are developed and established bookkeeping and accounting systems. Planning and budgeting decisions have to be translated into a controllable form if they are to mean anything, and the business officer plainly occupies a critical position in seeing that bridges are maintained between bookkeeping and accounting systems and presentations of data in a form more suitable for decision making.

I come now to my last heading: Facilitating understanding and acceptance of decisions which are bound to be unpleasant for many people. In hard times, in particular, there is simply no substitute for the understanding and cooperation of all those who share a commitment to the institution—students, faculty, research personnel, library staff, administrators, supporting staff, trustees, alumni, parents of students, and other friends. And, if we are to expect cooperation and goodwill from all of these groups—which, while sharing a common commitment to the university, often have particular interests which conflict sharply—we must provide information. We must explain frankly and fully the nature of our overall problem and what we believe can and should be done about it.

Facilitating Understanding and Acceptance

The business officer can make major contributions to this important objective. In carrying out all of his tasks it is important that he do what he can to make the materials he presents comprehensible to a broad array of interested parties. For example, in projecting tuition income he should take pains to show how he arrived at his projection—what assumptions he made about enrollment, attrition, and so on. Thus, if someone has a different sense of likely attrition, it is possible to revise the projections accordingly. Business officers have a natural tendency to present materials in the form of tables and printouts. I yield to no one in stressing the value of material presented in this way. At the same time, I think it is essential that such tabular presentations be accompanied by footnotes and text. If we are going to include more people in the process of thrashing out answers to questions of resource allocation, as I think we must, we are going to have to help these people see the choices before them.

Perhaps it is clearer now why I chose at the outset of these remarks to rephrase slightly the question to be considered by this panel. More and more, I see the lines between various elements of the university community blurring, and I see the business officer as an increasingly active participant in many phases of the process of managing educational resources, not just as a producer of financial tables.

To sum up the theme of these last few remarks, one of my recurring worries about the financial crisis through which all of higher education is now passing is that it will increase divisiveness within the universities, and to an excessive degree. The age-old tensions between the student body, faculty, administration, and alumni are no doubt healthy, up to a point. I believe, however, that the kinds of stresses and strains we face now push well beyond this right degree of tension. We face a growing prospect of adversary relationships which will interfere significantly with the sense of community and with the climate for learning which are so important at educational institutions. Strict budget limits have a potential for exacerbating conflicts between races, and between the middle class and lower income groups, as well as between departments. As a result, contrary to the views of some other people, I do not believe that great economic adversity will prove conducive to reform. On the contrary, I think there will be a [illegible] vested [illegible] that new [illegible] to innova[illegible]

Business o[illegible] can contribute [illegible] by reducing the [illegible] surrounding educational finance, by making clear the need for choice—in short, by serving their colleges and universities as business officer who are themselves educators.

HANS H. JENNY
Vice President for Finance and Business
The College of Wooster

Dr. Bowen has assigned the business officer quite a task. Of course, I am sure, he is aware of the fact that many of you have more or less successfully tried to fulfill the functions he has outlined for us. And if there are still people in the audience and in our association who either have not heard this message or whose professional counsel is not sought or is ignored by the chief administrators of their respective institutions, then let them read Dr. Bowen's message and pay it heed. Overall, I am sure, we should be flattered by the compliment he is paying the profession.

My first follow-up comment centers on the topic of "top college management organization for decision making." When we get past organization charts and beyond theory, we must realize that in the academic scheme of things the pecking order far too often places the financial and business management component in a subordinate position. Worse yet, until recently, and in too many of our private institutions, questions of finance and business ranked among the last questions asked. . . .

* * *

If I can make a recommendation it is this: that college and university presidents—particularly those from the private institutions—be given by their trustees some tough but meaningful financial constraints, such as that no major faculty, student services, development office, or other decision is taken without the full involvement of the finance and business office. Once this is accomplished, much of the rest may follow. I trust that many present here today would agree that appropriate organization and intelligent financial constraints are of the essence and seem to be lacking too frequently.

My second response is slightly different and addresses itself to the finance and business officer.

M[illegible]

[illegible]

He—the business officer—is the fiscal and operational guardian of the academic (in the broadest sense) enterprise. He must help the president so that the latter's promises and dreams can come true. Financial and business management are *enabling* activities and duties. Thus my second point: we are not obstructionists; we should not make academic policy; we are the men making possible the impossible.

From this stems one crucial opportunity which we as a profession have missed more often than we have taken it: *the opportunity to update our fiscal and management concepts and tools*. This is my third, and most important, response. . . .

There is all this talk abroad today concerning the financial crisis in higher education. Sack-cloth and ashes, no less. In our studies (Jenny-Wynn) of forty-eight private colleges, this seems indeed to be the case. Worsening deficits all over the place.*

I contend that the crisis is less financial than it is conceptual. The financial recession is to a large extent the result of stereotypes in financial management thinking. Not all stereotypes are bad, of course, but colleges and universities seem to cherish a surprisingly large number of dysfunctional and harmful management concepts.

I shall mention three problem areas where innovation is either imminent or long overdue, the first two merely in passing.

First, higher education is made up of several groups of institutions which are substantially different in their nature. Recognizing this, it would seem to be logical that policies (national and otherwise) and resource planning and management be designed to suit each type according to the requirements dictated by the special nature of each group. But instead, we organize our associations, committees, and concepts so as to reach an agreement across nationalities, so to speak. No wonder we move like one of those slow convoys during World War II, an easy target to lurking dangers; mostly we move not at all.

Second, at the other extreme, we act in such a decentralized manner that we have become perhaps the epitome of the self-centered, inner-directed set of institutions in existence in modern times. One aspect of this—which we all must have experienced at one time or another—is how each one of us is prone to reinvent the wheel, time and time again, and sometimes

The Golden Years. The Ford Foundation and The College of Wooster, 1970; *Turning Point*. The College of Wooster, 1971 (to be published).

within a given college or university in several places at once! Division of labor, that old chestnut of production efficiency, is not very well known or found often in university and college management. The fetish of uniqueness, no less. Result: we all end up doing the same thing about the same way.

Third, since the problem of colleges and universities is resources—how much, what kind, and when—one would think that the financial managers had developed a well-reasoned set of theories of resources, of fixed plus variable costs, and of the long-range overall resources requirements.

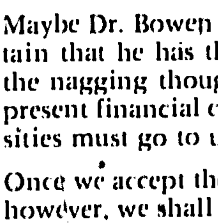
The notion that current annual income must generate some capital formation has been repugnant to the industry for convoluted rationalization for the most part. Yet, the 1960's, for instance, could have been an appropriate time to implement as a general principle one of the soundest concepts available to us from industry: the user should make some small payment for using up capital.

* * *

Management concepts which are imaginative, which are tailored to changing times and changing needs are *our* responsibility. When you work with weak, dysfunctional outdated concepts, you end up asking the wrong questions and may, among the bad answers, inherit a financial fiasco.

Maybe Dr. Bowen was too polite to say this; I am certain that he has thought of it; and we all must have the nagging thought that some of the blame for the present financial crisis in private colleges and universities must go to us.

Once we accept the responsibilities and the challenge, however, we shall find many new avenues for extending our institutions' respective life spans again and again.



CLARENCE SCHEPS
Executive Vice President
Tulane University

I find myself in almost total agreement with Dr. Bowen on his definition of the role of the business officer in managing educational resources. In my judgment, Dr. Bowen thinks like a business officer—and this is the highest compliment that one can pay an academician.

As a frame of reference to my brief comments, I would like to focus on the role of the business officer in managing educational resources in the context of the seventies—a period characterized by financial distress, depression, uncertainty, eroding public confidence and change. As I see it, the role of all administrative officers will become more difficult, and more important, because of the multiplicity of the problems of higher education, especially the financial ones. The business officer has to develop new ways and new techniques, not only to provide meaningful input to the academic world but, of equal importance, to achieve a situation in which the academic world uses this input in making educational decisions. In too many instances, in the past, the business officer has been a voice crying in the wilderness—information and analyses which he has prepared have gone unused.

Higher education in the seventies faces difficult times. There seems to be no question about the existence of a deep financial depression in higher education. . . . Until recently I was among those who contended that only through greatly increased revenues could the financial ills of higher education be cured. I no longer believe this. I am now convinced that both sides of the equation will have to be attended vigorously and imaginatively. That is, as we energetically pursue additional sources of revenue, we must at the same time strive to make our systems of higher education and our individual institutions more efficient. There is some evidence that these two goals are clearly interrelated, since our inability to produce sufficient additional revenues at this time may be due in part to the crisis of confidence on the part of those who would provide the funding—state legislatures, private donors, the Federal Government. Some of the erosion in confidence has resulted from the widespread belief that higher education has not managed itself as efficiently as it might. Progress, expansion, enrichment in higher education have been nothing short of miraculous in the past two decades. But our individual institutions as well as our statewide systems of higher education have been expanded with little thought of the costs of such expansion. In a real sense we were living in a dream world.

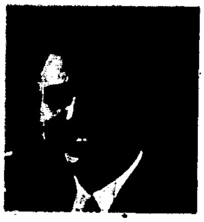
Now to turn specifically to the question posed by the panel: How can the business officer best provide input to the academic world—an input which will contribute to bringing about an improved coordination between revenues and expenditures? I can only underscore, and perhaps paraphrase, what Dr. Bowen has already stated in his excellent paper. I would mention four areas in which the business officer has much to contribute:

First, the business officer must do what he can to see to it that adequate academic planning and budgeting systems are developed and used in his institution. These systems should cover a time frame of more than one year and should provide the mechanism for intensive periodic review of past programs, activities, projects, and expenditure levels. Call this program budgeting if you will.

In the second place, the business officer must be responsible for developing ways of educating the president, the faculty, and the trustees on the advantages and benefits of sound financial administration. . . .

In the third place, the business officer must be available to all the constituencies of the institution on matters relative to the financial status of his institution. In my judgment, there is no valid basis for secrecy on a college campus. If we are to bring about change in our educational institutions, which will lead us away from the path of insolvency and bankruptcy, our faculty more and more must become responsive to the needs for change.

Finally, I am conviced that one important impediment to the task of increasing productivity in higher education is the nature of administration in the typical institution and the budgeting process traditionally employed. I am referring to the fact that in most institutions the development of programs, other than sponsored projects, is sharply separated from the administrative responsibility involved in securing support for these programs. . . . It seems to me that the budgeting process is going to have to be reformed so that the faculty member will feel a sense of responsibility for the entire budget process and will be in a position to help change the financial impact of programs and activities that he has advocated.



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There are a couple of points that I would like to emphasize which I think are apropos today. My first point relates to a topic which has been alluded to by Dr. Bowen and was touched earlier by Dr. McGill. I would like to suggest that if we are to be able to cope with these trying times in the field of higher education, which have been mentioned again and again, then one of the most effective manners in which we can handle these problems is to bring about an even closer working relationship, an even greater team relationship, between the chief business officer of the university and the chief academic officer. I think it is absolutely imperative that these two people develop an atmosphere of cooperation, an atmosphere or condition under which proper and effective decisions can be made, a cooperative atmosphere that is recognized throughout the campus. I must add my fear in this respect that perhaps all too often we are becoming alarmists; not that there is not plenty about which to be alarmed, but it is necessary that we approach these problems in a constructive rather than with an alarmist attitude.

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I think that we can be too much of an alarmist and too little of a team seeking to find answers to our problems. We must face these problems, using what Dr. Bowen referred to as a "decision-making process" which brings about effective decisions, understanding, and cooperation.

We must not let our decisions become spontaneous announcements of biases or proclamations based upon nothing. Rather, they must be decisions based upon a sound analysis of facts, a studying and a weighing of all of the possible alternatives, and then the arrival at a decision—a decision which is the decision of management, not just of the president, certainly not of the business officer or the chief academic officer, but a decision of the management team of the institution.

The second point that I would like to make is in reference to Dr. Bowen's statement concerning the simultaneous evaluation of all claims on financial resources of the university in its annual process of budgetary review. I certainly agree with that point as I agree generally with Dr. Bowen's excellent paper. But I would suggest that a great many of these "financial" decisions are not made in the strict budgetary process. Altogether too often we think that annually we sit down and decide how we are going to divide the budgetary pie, how we are going to allocate the financial resources of our university, when, in reality, most of those decisions have already been made on a day-to-day basis. Often when we think that we are making a minor operating decision, we do not realize that we are making a major budgetary decision. Often this is when the decisions are made that determine the slicing of the budgetary pie. Sometimes these decisions are made when we accept a gift or a grant, when we don't realize that we are allocating resources. But the implications of that gift involve the arriving at a decision on the allocation of financial resources. Often as we agree upon new policies for personnel, purchasing, auxiliary enterprises, and so on, not a budgetary decision *per se* but a policy or a procedural decision during the academic year, we have made a decision which has profound effects on the budget. The point here is that as we make day-to-day operating decisions, truly they are very often budgetary decisions. As you plant an acorn, you often become responsible for an oak tree—or even a forest.

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